

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016 / 2017 SESSION

DAU5018 – AUDITING 1

(For Diploma Students Only)

29 MAY 2017
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 4 pages with 5 questions.
2. Answer ALL questions.
3. Please write your answers in the answer booklet provided.

QUESTION 1

- (a) Adele is an accounting graduate student from Multimedia University. She is currently working as audit assistant in an audit firm situated at Petaling Jaya. Her best friend and former course mate, Terry has just received an appointment letter to work as an account executive in a manufacturing company located at Shah Alam.

Required:

- i. Based on description above, provide **THREE (3)** differences of task and responsibility performed by Adele and Terry in their profession. **(6 Marks)**
 - ii. Based on your opinion with reason, can Adele's company accepts the appointment as the external auditor for Terry's company. **(2 Marks)**
- (b) State **THREE (3)** differences between operational audit, and compliance audit based on purpose, users and nature of the audit. **(6 Marks)**
- (c) List any **THREE (3)** advantages and disadvantages of financial statement audit. **(6 Marks)**

[TOTAL 20 MARKS]

QUESTION 2

- (a) Explain the contributions of the following organizations and development towards accounting and auditing practices in Malaysia.
- Malaysian Institutes of Accountants **(2 Marks)**
 - Companies Commission of Malaysia **(2 Marks)**
- (b) "A misstatement in the financial statements can be considered material if knowledge of the misstatement would affect a decision of a reasonable user of the statements."

Required:

Based on the statement above, list and briefly explain the **THREE (3)** levels of materiality that determine the type of opinion issue by an auditor. **(9 Marks)**

Continued...

- (c) Briefly explain the **TWO (2)** main responsibilities of an external auditor under Section 174 in Companies Act, 1965. (4 Marks)

(d)

- | |
|--|
| <ul style="list-style-type: none">• Limitation of scope• Disagreement |
|--|

Figure 1

The above figure shows the two situations where the issuance of unqualified audit report may not be appropriate.

Required:

Briefly describe when an auditor may have disagreement situation in audit process.

(3 Marks)

[TOTAL 20 MARKS]

QUESTION 3

- (a) List any **FOUR (4)** basic elements that should be included in the audit report.

(4 Marks)

- (b)
- | |
|---|
| <ul style="list-style-type: none">- Documented all terms of the audit engagement- Formalizes the arrangement reached between the auditor and the client- Serves as a contract, outlining the responsibilities of both parties- Preventing misunderstandings between the both parties |
|---|

Figure 2

Figure 2 describes the purpose and the importance of engagement letter to both auditor and management.

Required:

Briefly explain the **FIVE (5)** contents in an engagement letter.

(5 Marks)

Continued...

- (c) i. Explain the difference between error and fraud. (2 Marks)
ii. There are two types of fraud. Identify and explain both types of fraud. (4 Marks)
- (d) Provide **FIVE (5)** duties of an audit partner in an audit team member. (5 Marks)

[TOTAL 20 MARKS]

QUESTION 4

- (a) i. Based on your understanding, why an auditor needs to assess and evaluate the client company internal control? (1 Mark)
ii. List **FIVE (5)** key components in a management's internal control. (5 Marks)
iii. Provide any **TWO (2)** audit procedures used by auditors to understand a company's internal control. (2 Marks)
- (b) List and briefly explain **THREE (3)** limitations in a company's internal control by using the table shown below.

Internal control limitations	Explanations

(6 Marks)

- (c) i. Define "control risk". (2 Marks)
ii. Identify and explain any **TWO (2)** audit procedures to assess control risk. (4 Marks)

[TOTAL 20 MARKS]

Continued...

QUESTION 5

- (a) "ISA 500 defines audit evidence as all of the information used by the auditor in arriving at the conclusions on which the audit opinion is based."

Required:

- i. List out **TWO (2)** types of audit evidence and suggest **ONE (1)** example for each.
(4 Marks)
- ii. List **TWO (2)** types of constraints in determining the sufficient level of audit evidence.
(2 Marks)
- (b) i. Briefly explain the **THREE (3)** requirements set under Bursa Malaysia on the membership of audit committee in a company.
(3 Marks)
- ii. What is the main responsibility of audit committee to the company board of directors?
(2 Marks)
- (c) i. External auditor may assess the independence of a company's internal auditor based on several criteria that is applicable during the independence assessment. Identify and explain any **THREE (3)** criteria assessment.
(6 Marks)
- ii. Can internal audit involves in all four types of audit? Do provide your explanations.
(3 Marks)

[TOTAL 20 MARKS]

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